stc lines

1985 Annual Report

Bringing Saskatchewan People Together

86-03321/

SASKATCHEWAN TRANSPORTATION COMPANY

1985
ANNUAL REPORT

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Corporate Directory

Board of Directors

As at October 31, 1985

Honourable James W. Garner	— Vice-Chairman
William G. Rudichuk	— Regina
Daryl Huber	— Lipton
Lillian Stelmaschuk	— Saskatoon
Shirley McKenzie	— Ponteix
Roy Simpson	— Meadow Lake
Joe Saxinger	— Cudworth
Ian D. Disbery	— Board Secretary

Marjorie Gerwing and Irving Goldenberg served on the Saskatchewan Transportation Company's Board until October 28, 1985.

Management

As at October 31, 1985

Don Castle	— President
Darrell W.T. Lowry	— Vice-President, Operations
David A. Sentes	— Vice-President, Finance & Administration
Greg G. Beattie	— Marketing Manager
Gerry G. Black	— Maintenance Manager
Gerry M. Karst	— Transportation Manager
Nelson Kingston	— Human Resources Manager
John Lyzaniwski	— Accounting Manager

Letter of Transmittal

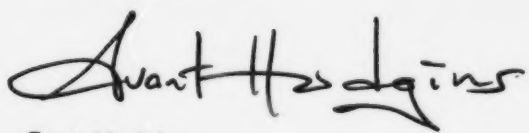
February 12, 1986

To His Honour F.W. Johnson
The Honourable Lieutenant
Governor of the Province of Saskatchewan

Dear Sir:

I have the honour to submit the Annual Report of the Saskatchewan Transportation Company for the year ended October 31, 1985, including the Financial Statements, duly certified by the Provincial Auditor and in the form approved by the Treasury Board, all in accordance with the Crown Corporations Act 1978.

Your obedient servant,



Grant Hodgins
Minister in Charge
Saskatchewan Transportation Company

President's Report

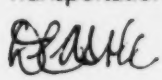
Saskatchewan Transportation Company's thirty-ninth year of operation might best be described as one of stability in an unsettled climate.

The bus industry is extremely sensitive to the state of the economy in which it serves and to the environment. Drought, grasshoppers and an early snowfall had an adverse impact on the agricultural sector of Saskatchewan's economy. This factor, coupled with the recent influx of courier operators, resulted in the first decline in STC's parcel express services area since the late 1960's.

In 1985, STC took steps to ensure the Saskatchewan public would continue to have accessibility to quality services at fair prices. This included initiating the implementation of a Management Information System designed to effect cost efficiencies and provide the information required to deploy manpower and equipment at optimum productivity levels. Special emphasis was also placed on developing parcel express programs directed at specific market segments in order to match services provided by the competition.

The Company's $75,000 improved bottom line in 1985 cannot be defined in financial terms alone. It must also be measured in terms of its employees proven performance in carrying out STC's mandate of providing comprehensive, quality transportation services to the people of Saskatchewan.

At this time, I extend my appreciation to the employees and agents of STC for their continued support and valued contribution to the effectiveness of the Saskatchewan Transportation Company.



Don Castle
President

Operations Review

STC continued to provide approximately 80% of the people of Saskatchewan, in more than 400 communities, with regularly scheduled passenger and parcel express service via 51 round-trip schedules, most of them daily, on forty-five routes.

In 1985, STC implemented a number of special programs in recognition of the people it serves:

- —The provision of Washington Wheel Chairs at Regina, Saskatoon and Prince Albert was expanded to include Swift Current and Yorkton, through the joint efforts of STC and Greyhound, to assist disabled passengers boarding and disembarking from the coach;
- —Discounted rates were offered to people travelling over STC Lines or chartering STC coaches to special events in Saskatchewan;
- —Lions Eye Bank containers were transported from any point in Saskatchewan that STC serves to Regina or Saskatoon free of charge;
- —A common STC-Greyhound waybill, which attaches directly to the parcel, was introduced to improve express delivery service.

As was the case in previous years, STC also made minor time adjustments to its schedules to improve interconnection capabilities.

STC is cognizant of the diversified needs existing in the marketplace and will continue to research, develop and implement programs which will provide the safest, most convenient and efficient transportation services to the people of Saskatchewan.

Fleet Administration

In 1985, the Corporation upgraded the average age of its fleet to 8.1 years thereby improving reliability. This was accomplished by disposing of 15 coaches, vintage 1969 through 1974, and acquiring eight MCI coaches, vintage 1979 through 1984.

At year's end, the sixty-two coach fleet consisted of 36 Motor Coach Industries buses and 26 General Motors coaches with a total passenger capacity of 2,806 and a total parcel express cargo capacity of 19,990 cubic feet.

The distance travelled by the fleet in 1985 decreased by 4,833 miles or 0.1% to 5,484,668 miles with coach productivity rising by 7.5% to approximately 85,000 miles per coach.

Safety First

Throughout its history, STC has stressed safety in its operations. The Company is proud of its safety record, attributable to drivers skilled in 'defensive driving'. Drivers have earned safety awards for periods as high as 38 accident free years. Six drivers have also surpassed the two million miles driven mark and eighteen operators have driven over one million miles.

Over fifty employees are engaged in keeping STC's fleet in roadworthy, comfortable, clean and attractive condition. A rigid policy of preventative maintenance is carried out by the Company. In addition to the daily servicing given each coach, comprehensive inspections of increasing scope and magnitude are made on a regular basis at prescribed mileage intervals.

STC continued to enhance its safety program by equipping its fleet with tachographs in 1985. The tachograph program supports the Company's safety objectives by assisting operators in maintaining the corporate maximum speed limit of 62 mph and stressing road management skills. In addition, the emphasis on standard coach operation (speed, shifting and passing techniques) has paid dividends by increasing fuel efficiency and reducing maintenance requirements and costs.

Financial Highlights

Transportation revenues of $14.2 million increased by $137,000 despite the difficulties faced in the express services market.

Passenger revenues of $6.9 million increased by $118,000, due to an increase in ridership of 5,559 passengers and an increase of approximately 800,000 passenger miles travelled. Passenger rates have been held constant since 1983.

Express revenues of $5.2 million decreased by $49,000 from last year, due to a reduction in demand from the agricultural sector. This reduction was a result of the economic difficulties experienced in the sector, as well as spirited competition from couriers entering this market. Express tariffs have also been held constant since 1983.

Charter revenues of approximately $700,000 remained constant. The number of charters operated increased, however a corresponding drop in average distance per trip resulted in total miles operated remaining constant. This demonstrates a shift away from the long haul charter market, which is being served by an increasing number of carriers.

Commissions earned from the sale of other carriers' services and ancilliary transportation service revenues amounted to $1.4 million and accounted for the remainder of the increase in transportation revenues.

The $281,000 gain on sale resulted primarily from the disposition of aged GMC coaches during the fleet upgrading program.

Total corporate expenses amounted to $16.4 million, an increase of $170,000 over the previous year.

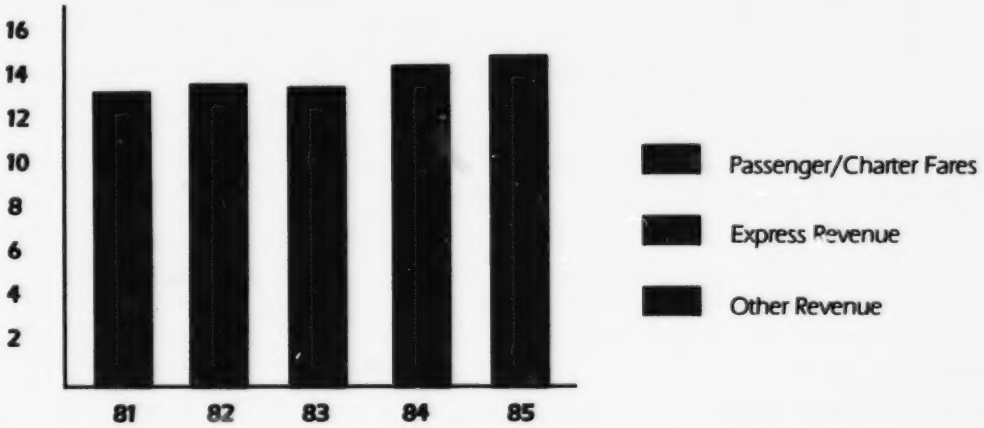
Increased interest costs on additional short term borrowings, required to finance operating losses, accounted for $100,000 of this increase.

Operating costs of $11.8 million which are comprised of maintenance expenses of $3.9 million and operations expenses of $7.9 million accounted for the remainder of the increase.

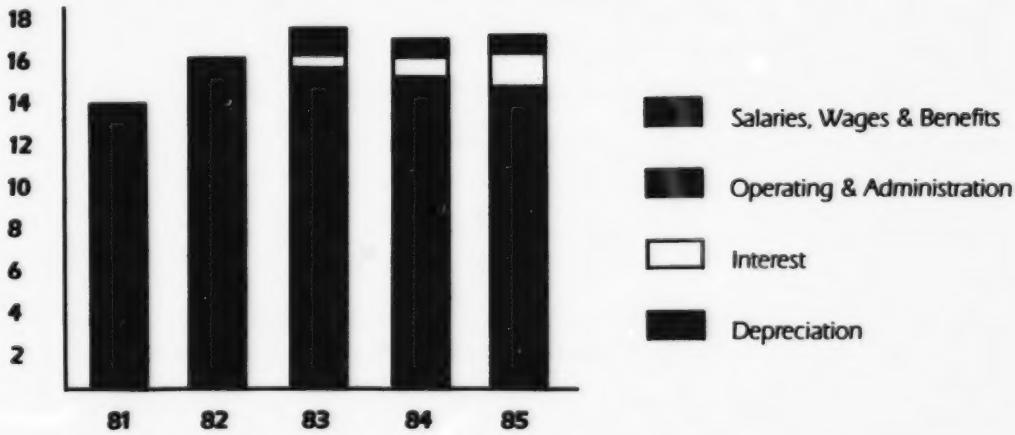
The Corporation undertook several efficiency programs which had a favourable impact on operating expenses. The tachograph program reduced fuel, tire and maintenance requirements. Emphasis was placed on reducing the usage of outside contractural services for maintenance, thereby increasing the utilization of the Corporations shop facilities and manpower. However, these favourable variances were offset by the cost of repairs undertaken at the Regina Depot as well as general price increases in utilities, parts and supplies.

The $1.7 million loss sustained by the Corporation was a $75,000 improvement from the previous year. Total cash requirements of the Corporation were $2.9 million, up $1.9 million from the previous year due predominantly to the acquisition of motor coaches and computer equipment. These cash requirements were satisfied with short term borrowings and proceeds from disposal.

Revenues 1981 - 1985



Expenses 1981 - 1985



Human Resources

The backbone of the Corporation continues to be its 294 employees and network of 271 Agents. STC's excellent reputation is directly attributable to the dedicated and conscientious manner in which they have carried out their responsibility of accommodating the movement of people and goods.

In the immediate future, STC will be called upon more than ever before to extend its services efficiently and effectively. To meet this challenge, the Company will look towards new technology and methods and the further development of its most valued asset — the employees of STC.

To this end, in 1985, the Corporation made Human Resource Management a separate function from other administrative areas and gave it equivalent accountability. Special emphasis was placed on fostering a more participatory style of management, through the establishment of 'Quality of Work Life' meetings to address all operational and administrative concerns and provide a forum for the exchange of ideas.

The Corporation will continue to enhance the talents of its personnel through the further development of training programs aimed at maintaining and upgrading the varied skills necessary to operate in the complex environment of the 80's.

In Appreciation

Sincere gratitude for the many years of dedicated and productive service to STC is extended to the following employees who retired in this fiscal year.

Arthur Cross	Motor Coach Operator, Regina May 22, 1948 - June 1, 1985
Ray Fay	Motor Coach Operator, Regina June 17, 1955 - February 1, 1985
Arthur Gessell	Motor Coach Operator, Saskatoon May 15, 1950 - September 15, 1985
W. George Poole	Purchasing Officer, Regina May 19, 1947 - October 31, 1985
A. (Gus) Seidlikoski	Mechanic, Regina May 14, 1956 - May 1, 1985

Anniversary wishes are also extended to Regina Motor Coach Operators Lloyd Surkan upon his 25th year of service with the Company and to H. (Jake) Dunville for safely driving over two million miles.

FINANCIAL STATEMENTS

YEAR ENDED
OCTOBER 31, 1985

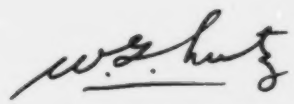
Auditor's Report

To the Members of the Legislative Assembly
Province of Saskatchewan

I have examined the statement of financial position of the Saskatchewan Transportation Company as at October 31, 1985 and the statements of operations and deficit and cash flows for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Company as at October 31, 1985 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Regina, Saskatchewan
December 12, 1985



W.G. Lutz, F.C.A.
Provincial Auditor

Statement of Financial Position

As at October 31

	1985	1984
	(Thousands of Dollars)	
Assets		
Current Assets		
Cash	$ 11	$ 10
Accounts Receivable	1,228	985
Supplies and Parts Inventories	291	270
Prepaid Expenses	185	194
	1,715	1,459
Property and Equipment (Note 3)	11,232	10,279
	$12,947	$11,738
Liabilities and Province's Equity		
Current Liabilities		
Bank Indebtedness	$ 1,583	$ 4,517
Accounts payable and accrued liabilities	1,749	1,359
Notes payable (Note 4)	4,974	—
Loan Payable (Note 5)	500	—
	$ 8,806	$ 5,876
Province of Saskatchewan's Equity		
Advances (Note 5)	$ 11,635	$ 11,635
Deficit	(7,494)	(5,773)
	4,141	5,862
	$12,947	$11,738

* (See accompanying notes)

Statement of Operations and Deficit

Year Ended October 31

	1985	1984
	(Thousands of Dollars)	
Revenues		
Transportation Services	$14,157	$14,020
Other Revenues	227	270
Gain on Sale of Property and Equipment	281	130
	$14,665	$14,420
Expenses		
Operating	$11,830	$11,763
Administration	3,280	3,259
Depreciation	794	812
Interest	482	382
	$16,386	$16,216
Net Loss	$ (1,721)	$ (1,796)
Deficit - Beginning of Year	(5,773)	(3,977)
Deficit - End of Year	$(7,494)	$(5,773)

* (See accompanying notes)

Statement of Cash Flows

Year Ended October 31

	1985	1984
	(Thousands of Dollars)	
Cash Provided by (Used in) Operating Activities		
Net Loss	$(1,721)	$(1,796)
Add (Deduct) Items Not Requiring or Generating Cash		
Gain On Sale of Property & Equipment	(281)	(130)
Depreciation	794	812
	(1,208)	(1,114)
Net Change In Non-Cash Working Capital Items Related to Operations (Note 7)	135	13
	$(1,073)	$(1,101)
Cash Provided By (Used In) Investment Activities		
Additions to Property & Equipment	$(1,860)	$ (131)
Proceeds from Disposal of Property and Equipment	394	242
	$(1,466)	$ 111
Cash Provided By (Used In) Financing Activities		
Increase in Short Term Borrowings	$ 5,474	$ —
Net Increase (Decrease) In Cash Position	2,935	(990)
Cash Position at Beginning of Year	(4,507)	(3,517)
Cash Position at End of Year	$(1,572)	$(4,507)

Cash Position comprises cash less bank indebtedness.

* (See accompanying notes)

October 31, 1985

1. **Status of Saskatchewan Transportation Company**

The Saskatchewan Transportation Company was established by Order in Council #168 in 1946 and continues under The Crown Corporations Act, 1978.

The accounts of the Corporation are consolidated in the annual financial statements of the Crown Investments Corporation of Saskatchewan.

2. **Significant Accounting Policies**

The financial statements are prepared in accordance with generally accepted accounting principles. Described below are those accounting policies which are particularly significant to Saskatchewan Transportation Company.

(a) Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation. Expenditures on repairs which extend the useful life of an asset such as refurbishments and structural repairs are capitalized. Normal maintenance such as engine and drivetrain repairs or replacement, mechanical repairs and preventative maintenance are expensed as incurred.

Gains or losses on sales of property and equipment are recognized in the statement of operations as they occur.

(b) Depreciation of Buildings and Equipment

Depreciation is recorded on the straight-line basis at rates designed to amortize the cost of the fixed assets over their estimated useful lives after considering residual values. Depreciation rates are as follows:

Buildings	2.5% to 10%
Coach Equipment	11.1%
Other Equipment	10.0%

(c) Supplies and Parts Inventories

Inventories of vehicle parts and supplies are stated at the lower of average cost or replacement cost.

3. **Property and Equipment**

	1985			1984
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
	(Thousands of Dollars)			
Land	$ 1,823	$ —	$ 1,823	$ 1,823
Buildings	6,791	1,501	5,290	5,412
Coach Equipment	7,553	3,943	3,610	2,630
Other Equipment	761	252	509	414
	$16,928	$5,696	$11,232	$10,279

4. **Notes Payable**

The notes payable are comprised of Banker's Acceptances bearing effective interest rates of 9.08% to 9.25%. The notes are stated net of discount with a maturity value of $5,000,000.

5. **Loans & Advances**

The Loan from the Crown Investments Corporation of Saskatchewan is interest bearing with repayment of principal and interest due December 31, 1985. Interest is calculated at the prime leading rate of the Royal Bank of Canada less one quarter percent.

Advances from the Crown Investments Corporation of Saskatchewan are non-interest bearing and repayment is at the discretion of the Crown Investments Corporation.

6. **Pension Plans**

The Corporation participates in two pension plans. One is the STC Employees Superannuation Plan established pursuant to the Public Service Superannuation Act, and is a benefit based plan. The other is the Crown Investments Corporation Pension Plan 39562, which is a money purchase plan. Employees hired after September 1, 1980 are required to contribute to the money purchase plan.

The Corporation's financial obligations to each of the plans are limited to making regular payments to the plans to match the amounts contributed by the employees for current service.

7. **Net Change in Non-Cash Working Capital Items**

The net change in non-cash working capital is comprised of the following items:

	1985	1984
	(Thousands of Dollars)	
Accounts Receivable	$(243)	$ 52
Supplies & Parts Inventory	(21)	15
Prepaid Expenses	9	26
Accounts Payable	390	(80)
	$135	$13

8. **Related Party Transactions**

Included in these financial statements are income and expenses resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan Crown controlled departments, agencies and corporations with which the Corporation is related.

Account balances resulting from these transactions are included in the Statement of Financial Position and are settled on normal trade terms.

Other amounts due to and from related parties and the terms of settlement are described separately in the financial statements and the notes thereto.

9. **Comparative Figures**

For comparative purposes certain 1984 figures have been reclassified to conform with the current year's financial statement presentation.

Corporate Information

Head Office: 2041 Hamilton Street
Regina, Saskatchewan
S4P 2E2

Terminal Facilities

Regina Depot
2041 Hamilton Street
Regina, Saskatchewan
S4P 2E2

Passenger Services: (306) 787-3340
Express Services: (306) 787-3350
Charter Services (306) 787-3360

Saskatoon Depot
50 - 23rd Street East
Saskatoon, Saskatchewan
S7K 0H8

Passenger Services: (306) 933-5700
Express Services: (306) 933-5707
Charter Services: (306) 933-5712

Prince Albert Depot
20 - 14th Street East
Prince Albert, Saskatchewan
S6V 1E6

Passenger Services: (306) 953-3704
Express Services: (306) 953-3700
Charter Services: (306) 953-3710

Garage Facilities

Regina
Wallace Street & 9th Avenue
Phone (306) 787-3362

Saskatoon
88 King Street
Phone (306) 933-7162

Prince Albert
20 - 14th Street East
Phone (306) 953-3707

Five Year Statistical Profile (Unaudited)

	1984-85	1983-84	1982-83	1981-82	1980-81
Income (000's)					
Scheduled Services	$12,128	$12,059	$11,164	$10,565	$ 9,586
Other	2,537	2,361	2,532	3,252	3,494
Total:	$14,665	$14,420	$13,696	$13,817	$13,080
Expenses (000's)					
Operating & Administration	$15,110	$15,022	$15,452	$14,974	$12,689
Interest	482	382	200	44	30
Depreciation	794	812	875	881	653
Total:	$16,386	$16,216	$16,527	$15,899	$13,372
Net Loss (000's)	$ 1,721	$ 1,796	$ 2,831	$ 2,082	$ 292
Assets at Book Value (000's)	$11,232	$10,279	$11,072	$12,102	$ 9,085
Miles Operated (000's)					
Scheduled Services	5,117	5,127	5,195	5,294	4,677
Other	368	362	393	519	778
Total:	5,485	5,489	5,588	5,813	5,455
Route Passengers					
Number Carried (000's)	737	731	773	797	734
Passenger Miles (000's)	78,781	77,986	82,288	84,394	76,897
Average Distance/Passenger	106.9	106.6	106.5	106.0	104.8
Coach Statistics					
Number of Coaches	62	69	70	78	72
Miles/Coach	84,899	78,988	72,362	76,002	78,346
Average Age of Fleet	8.1	8.7	7.8	7.3	4.8
Number of Employees					
Coach Operators	94	96	95	98	93
Maintenance	54	51	57	58	60
Terminal	86	85	90	96	91
Admin. & Management	60	61	62	71	83
Total:	294	293	304	323	327
Salaries, Wages & Benefits (000's)	$9,779	$9,683	$9,854	$9,440	$7,975

stc lines

Bringing Saskatchewan People Together

Route Map